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Officials not sold on film tax incentive

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Some Michigan officials contend the state's film tax incentive caused far more than \$50 million to leave the state and created far fewer than 2,800 jobs in 2008, despite findings of the Michigan Film Office.

On Monday, the Film Office submitted a three-page report that states the program — which rebates up to 42 percent of a production's expenditures in Michigan — will issue nearly \$50 million in film incentive tax rebates for 35 films completed during 2008.

Those 35 film productions spent \$125 million in Michigan and created 2,800 jobs, the report states.

"High School," a high school stoner comedy shot primarily at the Howell Public Schools Parker Campus in Marion Township, was one of the completed projects.

A supplemental report completed by Michigan State University states the roughly 2,800 jobs were temporary.

It calculates that, based on the average 23-day Michigan shoot for those movies, 1,102 Michigan "year-round equivalent employment" jobs were created earning \$54 million in total wages and salaries.

The Michigan Economic Development Corp. argues that jobs created in 2008 were mostly "job-specific," much like a construction project, but that year-round, high-tech jobs will be created in Michigan as permanent facilities are built.

Bridget Beckman, spokeswoman for the MEDC, said the MSU figures provide a clearer picture of the program's benefit on a dollar-by-dollar basis. Beckman said the analysis was done to ensure accuracy in the actual report.

Critics contend the state is making it more difficult than necessary for taxpayers to understand the bottom line.

For starters, the film office report didn't deliver what's required by law, said Patrick Wright, senior legal analyst for the Mackinac Center for Public Policy think tank in Midland.

Wright said he, like most people, weren't initially aware of the MSU report — dated Feb. 6 — or a need to crunch numbers in order to see the bigger picture.

"That's not what the thing requires. It doesn't require someone like you or me to sit down and do that," he said.

"I don't think that they followed the letter of the law. How do you test if this film credit is worth it?" Wright added.

State Sen. Nancy Cassis, R-Novi, chairwoman of the state Senate Finance Committee, said the film office has failed to be transparent with the public.

Cassis said the actual report doesn't provide a breakdown of key figures, namely how much of the \$50 million refundable tax credits went to each completed film.

She said she believe the hit to the state's general fund for 2008 from the film tax credit will be small when compared to subsequent years, primarily because the program was only operation for nine months of 2008.

The tax credit program will likely cost closer to \$100 million per year, given that 36 projects were approved but not completed for 2008 and several more films are ready to shoot, Cassis said.

The MEDC said the tax rebate for each production is "confidential information," even though the money is generated by public tax dollars.

"Certainly, I'm glad that it came out according to the law's requirement, but it tends at first blush to be an underwhelming report. In general, potentially the financial exposures to the state (are) greater than reported," Cassis said.

"They really don't have some key breakdowns," she added.

David Zin, analyst for the Michigan Senate Fiscal Agency, has estimated the state will spend at least \$150 million in tax rebates for the fiscal year that started last October and ends in September of this year.

Zin said that exceeds the amount of what the state plans to spend this budget year in increases for funding to higher education and costs for capital outlay; new highway troopers; No Worker Left Behind costs; and life sciences combined.

Cassis said hopes to have Janet Lockwood, director of the film office, testify before the Senate Finance Committee, and invite authors of the MSU study to explain their findings to the committee.

Michael LaFaive, director of fiscal policy for the Mackinac Center, said he's skeptical of the number and type of jobs created, given the state's track record with economic development programs.

"It's 'Wizard of Oz' stuff here, and it's time to pull back the curtain," LaFaive said.

Ray Markovich, a producer for "High School" for Parallel Media, said the film's total budget, once thought to be \$15 million, turned out to be closer to \$19 million.

Markovich said the bulk of that total was spent in Michigan.

He said he didn't know what the film's rebate amount will be, but expects the amount be lower than the publicized 40 percent of all state expenditures.

Markovich said the incentive mostly makes up for moving, on site, crew lodging and airfare, among other costs incurred by film companies.

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